

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, MARCH 17, 2009**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, March 17, 2009, commencing at 7:01 a.m.

Present: Council Member Hitchcock, Council Member Johnson, Mayor Pro Tempore Katzakian, Council Member Mounce, and Mayor Hansen

Absent: None

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Second Quarter Fiscal Year 2008-09 Water, Wastewater, and Electric Utility Department Financial Reports (PW/EUD)

City Manager King and Deputy City Manager Jordan Ayers provided a brief introduction to the quarterly update for Public Works and Electric Utility.

Charlie Swimley, Water Services Manager, provided a PowerPoint presentation regarding the Public Works Department Water/Wastewater fiscal year 2009 quarterly update. Specific topics of discussion included wastewater operating results, wastewater fund cash flow summary operations, wastewater funds cash balances, water operating results, water fund cash flow summary operations, water funds cash balances, and water/wastewater utility accomplishments including valve program.

In response to Mayor Hansen, Mr. Swimley stated the \$44,000 amount that was budgeted will be transferred and shown as a zero by the end of the year.

In response to Mayor Hansen, Mr. Swimley stated the ongoing operating deficit is \$917,286.

In response to Council Member Hitchcock, Mr. Swimley stated staff has gotten control of some of the deficit and will be bringing forth a plan to address the same on March 31.

In response to Mayor Hansen, Public Works Director Wally Sandelin stated that, with respect to PCE/TCE costs and clean-up, the current status is that bids are out for a monitoring program, the first phase for design and construction for extraction wells is in place, equipment should be in the ground this year, and intermediate remedial actions are going forth as well. Mr. Schwabauer stated staff is looking into stimulus funding opportunities also.

In response to Council Member Hitchcock, Mr. Sandelin stated the annual collection for PCE/TCE was approximately \$2.5 million. Mr. Sandelin stated the expenses may be less than the original report and rate model indicated, an adjustment may be applicable, and the information will be coming forward for Council consideration on March 31.

In response to Mayor Hansen, Mr. Swimley stated staff is in the process of preparing a required sewer management plan, which is required as the City can be audited at any time. Mr. Swimley stated the order is relatively new and staff wants to ensure that it is in compliance with all regulations in the event that an audit occurs.

In response to Mayor Hansen, Mr. Swimley stated there is no State funding available for this mandate and the City is required to file a report with the State every time there is a spill. Mr. Swimley stated the State in turn keeps a database of all these reports, which is accessible to various agencies.

In response to Council Member Hitchcock, Mr. Swimley stated underreporting by agencies may be a concern and one reason for the State to create and maintain this database for spills.

In response to Council Member Mounce, Mr. King stated the State does not give any provisions for cities that cannot pay for the enhanced infrastructure as a standard is a standard.

In response to Council Member Johnson, Mr. Swimley stated there was a meeting last Thursday, staff does not believe that the State Board will move from its current position on the order, and the best the City can hope for is some revised language. Mr. Swimley stated a footnote referencing disposal and recycle practices would be preferred.

In response to Council Member Johnson, Mr. Swimley stated the decision should be made today. Mr. Schwabauer clarified that the State Board will likely uphold the order of its staff, send the order back to the Regional Board with its findings, and in turn tie the Regional Board's hands to finish the permitting process with the findings of the order in place. Mr. Schwabauer stated a writ of mandate may be an option and provided a brief overview of the legal process for the same.

In response to Mayor Hansen, Mr. Swimley stated the order may cost more money because the City may need to line the ponds per Title 27, change land application practices, and there may be an impact on the cannery.

In response to Council Member Hitchcock, Mr. Swimley stated lining the ponds would cost about \$1 million and will be mentioned in the March 31 presentation.

In response to Mayor Hansen, Mr. Swimley stated there are approximately 4,500 valves in the City.

George Morrow, Electric Utility Director, provided a PowerPoint presentation regarding the fiscal year 2009 quarterly update. Specific topics of discussion included mid-year summary, budget versus quarter actual, financial results, electric expenses by series, power supply, quarter sales, billing statistics, energy cost adjustment by customer class, Northern California Power Agency (NCPA) general operating reserve, Lodi Energy Center, unrestricted reserves, electric reserve policy, days cash, Fitch ratings, and open position.

In response to Council Member Hitchcock, Mr. Morrow stated the 92.1% is a combination of revenue and expense numbers. Mr. Morrow stated it is likely normal because other quarters may be in the negative and therefore the numbers will even out throughout the year.

In response to Council Member Hitchcock, Mr. Morrow stated the total operating expenses should even out by the year as well and generate some revenue if the numbers are low now. Mr. King stated he does have some concern about maintenance and sustaining operating numbers as compared with where other electric utilities are in these numbers for the quarter.

In response to Council Member Johnson, Mr. Morrow stated there is a good correlation between power use and billing because if the utility purchases power for March it will generally pay for the costs in March after it goes through NCPA or related process. Mr. Morrow stated the billing for the customers will not come until shortly thereafter because of the meter reading cycles.

In response to Council Member Mounce, Mr. Morrow stated the reserve policy was set in 2007

with a goal of 2010 and the discussion regarding reserves should be on line with that time period, although it may occur earlier.

In response to Council Member Hitchcock, Mr. Morrow stated the goal since the policy has been set is to focus on the target number rather than the basis for that number as outlined by the consultant. Mr. Morrow stated his understanding was that once that number is reached, or before that time, there may be a discussion about what to do next.

In response to Council Member Hitchcock, Mr. King stated some of the concerns at the time the policy was adopted included financial ratings and standing, getting everyone on the same page as to what the goal was, the necessity of rate adjustments in the near future, equipment replacement, and operating costs.

In response to Council Member Johnson, Mr. King stated ratings equal credit score for power purchases. Mr. Morrow stated the largest factor for the Electric Utility to have a good rating is for credit purposes and he is not aware of any insured based ratings since the demise of the bond market. Council Member Johnson requested some information on how much it would cost to purchase power at the various letter ratings (i.e., A+, A, A-, BBB+, etc.). Mr. Morrow stated he does not have the information readily available but will forward it.

In response to Council Member Hitchcock, Mr. Morrow stated rating agencies will say that days cash is important; although, there are factors such as management of the utilities and power supply portfolio. Mr. Morrow stated the Lodi focus has been days cash because that was previously the weakest factor.

In response to Mayor Hansen, Mr. Morrow stated the next open position power purchase is tomorrow for the high load and winter period.

C. Comments by Public on Non-Agenda Items

Lori Laney, a resident of the City, spoke in regard to her utility bill increasing significantly when an older meter was removed and a new meter was installed. Ms. Laney had concerns regarding an invoice she received for \$1,200 covering an eight-month period during which her old meter may not have been working.

In response to Mayor Hansen, Ms. Laney stated the new meter was installed in February. Mr. King stated he had a similar situation occur to him personally and suggested it may be a good time for the City Council to look at variance information at large.

In response to Council Member Katzakian, Mr. Morrow stated the estimate is based on historical usage and after the new meter is installed they can look forward. Mr. Morrow stated there are a handful of older faulty meters still remaining; although, most have been phased out and provided an overview of how the meters were malfunctioning. Mr. Morrow stated they will look at the specifics of this situation and work with the customer accordingly.

Council Members Johnson and Mounce and Mayor Hansen expressed concerns about going back and creating an estimate based on past usage and looking forward.

In response to Council Member Hitchcock, Mr. Morrow stated the \$1,200 figure covers approximately eight months.

In response to Council Member Hitchcock, Mr. Morrow stated no one has 10 to 20 faulty meters and staff does do its best to catch the faults as soon as possible, although the system is not fail safe.

Mayor Hansen suggested staff research and bring forth information regarding the meter and variance policy.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:34 a.m.

ATTEST:

Randi Johl  
City Clerk



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Second Quarter Fiscal Year 08/09 Water, Wastewater and Electric Utility Department Financial Reports

**MEETING DATE:** March 17, 2009

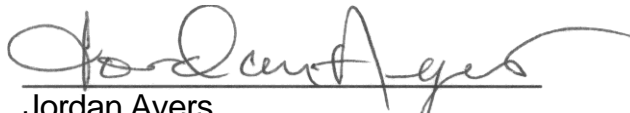
**PREPARED BY** Deputy City Manager

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**RECOMMENDED ACTION:** Receive utility financial reports for the second quarter of fiscal year 2008/09.

**BACKGROUND INFORMATION:** In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of March 17, 2009.

**FISCAL IMPACT:** None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.

  
Jordan Ayers  
Deputy City Manager

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**APPROVED:**   
Blair King, City Manager



# Public Works Department Water/Wastewater

## **FY 09 Quarterly Update** **(Through December 31, 2008)**

City Council Shirtsleeve Session  
March 17, 2009

# Wastewater Operating Results

(Ending December 31, 2008)

	Budget	Actual	% of Budget
<b>Personnel</b>	<b>2,951,436</b>	<b>1,425,195</b>	<b>48%</b>
<b>Supplies, Materials, Services</b>	<b>2,323,442</b>	<b>684,042</b>	<b>29%</b>
<b>Equipment, Land, Structures</b>	<b>115,270</b>	<b>35,219</b>	<b>31%</b>
<b>Other Payments</b>	<b>200,212</b>	<b>154,984</b>	<b>77%</b>
<b>Communication &amp; Transportation</b>	<b>819,210</b>	<b>464,216</b>	<b>57%</b>
<b>Work for Others</b>	<b>43,960</b>	<b>0</b>	<b>0%</b>
<b>Total Operating Expenses</b>	<b>6,453,530</b>	<b>2,763,656</b>	<b>43%</b>

**Wastewater Fund**  
**Cash Flow Summary**  
**Operations**  
**(Ending December 31, 2008)**

<b>Revenue</b>	
Sales	3,208,197
Other (interest, rent, septic, misc.)	652,473
<b>Total Revenues</b>	<b>3,860,670</b>
<b>Expenses</b>	
Operating	<b>2,763,656</b>
Debt Service	1,288,561
Cost of Services Payment To General Fund	725,739
<b>Total Expenses</b>	<b>4,277,956</b>
Net Increase in Undesignated Reserves	(917,286)



# Wastewater Funds

## Cash Balances

(Ending December 31, 2008)

Operating (170)	(8,414,114)
Utility Capital / Infrastructure Replacement (171)	15,601,462
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(8,975,238)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	7,536,440
IMF (173)	9,232,767
Total	14,981,317

# Water

## Operating Results

(Ending December 31, 2008)

	Budget	Actual	% of Budget
Personnel	1,259,632	651,188	52%
Supplies, Materials, Services	926,012	318,687	34%
Equipment, Land, Structures	3,500	4,431	127%
Other Payments	1,267,750	924,104	73%
Communication & Transportation	882,340	486,513	55%
Work for Others	360,000	0	0%
<b>Total Operating Expenses</b>	<b>4,699,234</b>	<b>2,384,923</b>	<b>51%</b>

# Water Fund

## Cash Flow Summary

### Operations

(Ending December 31, 2008)

<b>Revenue</b>	
Sales	3,373,613
Other (interest, rent, misc.)	104,696
<b>Total Revenues</b>	<b>3,478,309</b>
<b>Expenses</b>	
Operating	<b>2,384,923</b>
Debt Service	14,957
Cost of Services Payment To General Fund	530,061
<b>Total Expenses</b>	<b>2,929,941</b>
<b>Net Increase in Undesignated Reserves</b>	<b>548,368</b>

# Water Funds

## Cash Balances

(Ending December 31, 2008)

<b>Operating (180)</b>	(563,217)
<b>Utility Capital / Infrastructure Replacement (181)</b>	10,853,636
<b>IMF (182)</b>	(193,252)
<b>PCE/TCE Settlements</b>	15,823,775
<b>PCE/TCE Rates (185)</b>	1,518,339
<b>Total</b>	27,439,281



# Water / Wastewater Utility Accomplishments

- Treatment Plant Upgrade Status
- Better Understanding of the Financial Condition of Our W/WW Utilities
- Kicked Off Main Replacement Project 4
- The Revised Draft State Board Order
- SSO Tracking
- Draft FOG Ordinance
- Water Valve Exercising Program

Questions???



Electric Utility Department

# **FY09 Quarterly Update**

**(Through December 31, 2008)**

**City Council Shirtsleeve Session**  
**March 17, 2009**



# Mid-Year Summary

- Utility finances in line with projections
- Power Costs up ~\$1.7M
- Revenues up about \$300K
- NCPA “GOR” down \$925K
- Overall increase in cash is about \$3.7M





# 09 Budget vs. Q2 Actual

<b>Cash Flow</b>			
<b>Revenue</b>	<b>Budget</b>	<b>Actuals</b>	<b>% of Budget</b>
Sales Revenues	73,252,805	41,032,108	56.0%
Other Revenues	955,000	504,823	52.9%
Total Revenues	74,207,805	41,536,931	56.0%
<b>Expenses</b>			
Purchase Power	46,697,976	24,778,843	53.1%
Non Power	12,422,535	5,530,015	44.5%
Total Expenses	59,120,511	30,308,858	51.3%
Net Revenue for Debt Service	15,087,294	11,228,073	74.4%
<b>Debt Service</b>	6,339,831	3,169,916	50.0%
Net Revenue	8,747,463	8,058,157	92.1%
In-lieu Transfer to General Fund	6,879,414	3,439,707	50.0%
<b>Net Increase (Decrease) in Working Capital</b>	<b>1,868,049</b>	<b>4,618,450</b>	247.2%
<b>Beginning Cash Balance</b>	<b>11,339,624</b>	<b>11,339,624</b>	
<b>Changes in GOR (LEC PMT)</b>	-	(924,557)	
<b>Ending Cash Balance</b>	<b>13,207,673</b>	<b>15,033,517</b>	



# Q2 Financial Results

## Projected vs. Actual

<b>Cash Flow</b>			
<b>Revenue</b>	<b>Projected</b>	<b>Actuals</b>	<b>Difference</b>
Sales Revenues	40,734,542	41,032,108	0.7%
Other Revenues	477,500	504,823	5.7%
Total Revenues	41,212,042	41,536,931	0.8%
<b>Expenses</b>			
Purchase Power	23,063,138	24,778,843	7.4%
Non Power	5,460,451	5,530,015	1.3%
Total Expenses	28,523,589	30,308,858	6.3%
Net Revenue for Debt Service	12,688,452	11,228,073	-11.5%
<b>Debt Service</b>	3,169,916	3,169,916	0.0%
Net Revenue	9,518,536	8,058,157	-15.3%
In-lieu Transfer to General Fund	3,439,707	3,439,707	0.0%
<b>Net Increase (Decrease) in Working Capital</b>	<b>6,078,829</b>	<b>4,618,450</b>	24.0%
<b>Beginning Cash Balance</b>	<b>11,339,624</b>	<b>11,339,624</b>	
<b>Changes in GOR</b>	<b>(924,557)</b>	<b>(924,557)</b>	
<b>Ending Cash Balance</b>	<b>16,493,896</b>	<b>15,033,517</b>	



# Electric Expenses by Series

	FY09 Budget	FY09 Q2	% of Budget
Personnel	6,317,083	2,832,801	45%
Supplies, Materials, Services	1,729,829	688,817	40%
Equipment, Land, Structures	909,151	385,729	42%
Other Payments	440,196	161,251	37%
Communication & Transportation	69,891	33,224	48%
<b>Total Operating Expenses</b>	<b>9,466,150</b>	<b>4,101,822</b>	<b>43.3%</b>

**Note: Includes Capital Expenditures  
in Other Payments**



# Q2 Power Supply

	Estimated	Actual	Change	% Change
Generation	\$ 19,986,619	\$ 23,964,720	\$ 3,978,101	19.9%
Transmission	\$ 3,564,939	\$ 3,451,581	\$ (113,358)	-3.2%
Management Services	\$ 1,104,318	\$ 1,124,736	\$ 20,418	1.8%
Third Party Revenue	\$ (1,592,738)	\$ (3,762,194)	\$ (2,169,456)	136.2%
<b>TOTAL</b>	<b>\$ 23,063,138</b>	<b>\$ 24,778,843</b>	<b>\$ 1,715,705</b>	<b>7.4%</b>



# Q2 Sales

	YTD Projections	YTD Actuals	% Difference
kWh	248,299,535	245,101,101	-1.3%
Revenue	\$ 40,734,542	\$ 41,032,108	0.7%

	Year	HDD	Normal	CDD	Normal
July	2008	0	0	380	390
August	2008	0	0	415	363
September	2008	0	5	266	247
October	2008	36	76	53	73
November	2008	276	348	0	0
December	2008	645	609	0	0
Q2 Total		957	1038	1114	1073



# Q2 Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	85,601,832	\$ 15,991,079	\$ 0.1868
Small Commercial	92,064,784	\$ 16,000,758	\$ 0.1738
Large Commercial/Small Industrial	18,898,012	\$ 3,005,755	\$ 0.1591
Industrial	51,734,907	\$ 5,736,951	\$ 0.1109
<b>TOTAL</b>	<b>248,299,535</b>	<b>40,734,542</b>	<b>\$ 0.1641</b>

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	84,499,165	\$ 16,107,894	\$ 0.1906
Small Commercial	90,878,865	\$ 16,117,644	\$ 0.1774
Large Commercial/Small Industrial	18,654,580	\$ 3,027,712	\$ 0.1623
Industrial	51,068,491	\$ 5,778,859	\$ 0.1132
<b>TOTAL</b>	<b>245,101,101</b>	<b>\$ 41,032,108</b>	<b>\$ 0.1674</b>



# ECA by Customer Class

Customer Class	Q1	Q2	Total
Residential	832,498	725,150	1,557,648
Small Commercial	833,776	746,906	1,580,683
Large Commercial/Small Industrial	176,414	158,323	334,736
Industrial	449,032	438,014	887,046
<b>Total ECA Revenue</b>	<b>2,291,721</b>	<b>2,068,393</b>	<b>4,360,113</b>



# NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
  - \$6,959,239 (June 30, 2008)
  - \$6,034,682 (December 31, 2008)
- **Geothermal Solar Project (\$477K)**
- **Lodi Energy Center (\$453K)**

**\$924,557 Decrease**





# Lodi Energy Center

Pmt Month	Amount	Source
Apr 08	\$ 1,882,353	CASH
Jul 08	\$ 264,706	GOR
Oct 08	264,706	GOR
	<b>\$ 2,411,765</b>	



# Projected FY09 Unrestricted Reserves

	Amount
<b>Beginning Cash Balance</b>	<b>\$ 11,339,624</b>
<b>plus Proj Increase in Working Capital</b>	<b>1,868,049</b>
<b>less Substation/Transmission Fund</b>	<b>(582,000)</b>
<b>less Net Solar Surcharge Fund</b>	<b>(351,000)</b>
<b>less Lodi Energy Center</b>	<b>(2,823,530)</b>
<b>plus Changes in GOR</b>	<b>672,533</b>
<b>Projected Ending Balance</b>	<b>\$ 10,123,676</b>



# Electric Reserve Policy

- Initial **Electric Reserve Fund Target** of \$12.9 million
- Goal to reach target by year-end FY2010
- EUD to highlight cash “raising” opportunities during budget process
- Reserve formula to be reassessed at least every 3 years
- One time cash receipts shall be dedicated to increasing reserves.
- Staff shall consider all options to increase reserves

\*Adopted by Lodi City Council, Resolution 2007-13, January 17, 2007



# Days Cash (FY08)

Agency	Rating	Days Cash
Alameda	A-	418
Biggs	None	401
Gridley	None	183
Healdsburg	None	127
Lodi	BBB+/A-	59
Lompoc	None	95
Palo Alto	AA-	756
Redding	A+	178
Roseville	A+	239
Santa Clara	A	272
Truckee Donner	A	132
Ukiah	None	511
Average		281
% Lodi to AVG		20.94%



## Retail System Medians Per Rating Category

Rating Category	Debt-Service Coverage (x)	Adjusted Debt-Service Coverage (x)	Coverage of Full Obligations (x)	Debt/FADS (x)	Adjusted Net Debt/Adjusted FADS (x)	Days Cash on Hand	Days Liquidity on Hand	Equity/Capitalization (%)	Adjusted Equity/Adjusted Capitalization (%)	General Fund Transfer as % of Revenue	Variable-Rate Exposure/Total Capitalization (%)
<b>All Retail Systems</b>											
'AA'	2.45	1.62	1.40	5.3	6.1	101	131	47	38	3.9	0.0
'A'	2.40	1.62	1.47	4.8	6.0	113	121	60	34	4.4	0.0
'BBB'	3.29	1.55	1.31	3.2	6.1	27	57	39	19	0.6	0.0
'BB'	1.87	1.87	1.83	5.9	5.9	35	35	21	21	0.7	3.0
<b>Self-Generating Retail Systems</b>											
'AA'	2.00	1.60	1.46	7.4	7.5	101	145	45	38	6.3	7.0
'A'	1.98	1.68	1.55	5.6	6.0	113	141	42	34	3.3	4.0
'BBB'	2.06	2.06	2.06	6.3	6.3	19	46	38	38	0.2	6.0
'BB'	1.87	1.87	1.83	5.9	5.9	35	35	21	21	0.7	3.0
<b>Power Purchaser Retail Systems</b>											
'AA'	2.61	1.62	1.35	4.1	5.7	87	121	60	33	3.6	0.0
'A'	3.14	1.61	1.42	4.4	6.0	105	119	64	35	4.8	0.0
'BBB'	3.51	1.44	1.24	2.9	5.9	42	59	50	19	2.8	0.0

\*Only one credit in rating category. FADS – Funds available for debt service. Source: Fitch Ratings.



# FY09 “Open Position”

	Lodi Total Surplus/(Deficit)	Load	% of Load	Lodi HLH Surplus/(Deficit)	Load	% of Load	Lodi LLH Surplus/(Deficit)	Load	% of Load
July 2008	-	50,349	0.0%	-	32,631	0.0%	-	17,718	0.0%
August	-	50,833	0.0%	-	32,735	0.0%	-	18,099	0.0%
September	-	42,198	0.0%	-	27,096	0.0%	-	15,102	0.0%
October	-	38,554	0.0%	-	25,226	0.0%	-	13,328	0.0%
November	-	35,835	0.0%	-	21,857	0.0%	-	13,979	0.0%
December	-	38,210	0.0%	-	24,311	0.0%	-	13,899	0.0%
Jan 2009	1,266	38,403	3.3%	509	24,311	2.1%	757	14,092	5.4%
February	2,052	33,447	6.1%	2,157	21,612	10.0%	(104)	11,835	-0.9%
March	11,680	36,080	32.4%	10,815	22,918	47.2%	864	13,163	6.6%
April	5,337	36,489	14.6%	5,266	23,778	22.1%	71	12,711	0.6%
May	4,354	39,431	11.0%	3,900	24,509	15.9%	454	14,922	3.0%
June	2,499	43,776	5.7%	2,497	29,430	8.5%	2	14,346	0.0%
<b>FY Total</b>	<b>27,189</b>	<b>483,606</b>	<b>5.6%</b>	<b>25,145</b>	<b>310,412</b>	<b>8.1%</b>	<b>2,044</b>	<b>173,194</b>	<b>1.2%</b>
<b>Bal Yr Total</b>	<b>27,189</b>	<b>227,627</b>	<b>11.9%</b>	<b>25,145</b>	<b>146,557</b>	<b>17.2%</b>	<b>2,044</b>	<b>81,070</b>	<b>2.5%</b>



# Mid-Year Summary

- Utility finances in line with projections
- Power Costs up ~\$1.7M
- Revenues up about \$300K
- NCPA “GOR” down \$925K
- Overall increase in cash is about \$3.7M